FINAL

PRIVILEGED AND CONFIDENTIAL

GUIDELINES FOR EVENT PROMOTIONS

I. Overview

A. These guidelines deal with three basic legal issues:

1. Requirements for a warning notice

2. Involvement of the broadcasting media

3. Avoidance of promotions targeted to youth

B. Impact of policy considerations

1. Some of these guidelines prohibit or restrict certain conduct as a matter of prudent Company policy, even though such conduct may not violate the law.

2. Although a particular practice may be authorized by these guidelines, there will sometimes be policy considerations that require that the practice be minimized or avoided. For example,

a. Even though event signs without warnings are permissible within the limitations set forth below, excessive exposure of such signs may generate pressure for more restrictive regulation and should be avoided.

b. Even when not used to excess, it may be imprudent to use otherwise permissible promotional material in particularly sensitive locations or during particularly sensitive time periods.

II. What is an "event"?

These guidelines apply only to bona fide events -- i.e., sports, entertainment, fashion or cultural programs that have a genuine audience interest on their own, as opposed to occurrences generated solely as a vehicle for sampling or selling cigarettes.

1. Typical, traditional "events," which the public attends primarily as spectators, generally are not difficult to recognize as

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such. These include spectator sports contests, concerts and fashion shows.

2. Events where the public attends primarily as participants and where there is not substantial entertainment for spectators -- such as bar nights or parties -- raise more of a concern, because our detractors might allege that they are gatherings designed only to sell or sample cigarettes. Therefore, guidelines that permit display of event-related material without a warning may vary, on a case by case basis, in these types of events. Of course, the events themselves can take place even if different rules apply to their signage and broadcasting requirements.

III. Warning Notice Issues

A. Two basic principles govern the question whether particular items require a warning notice:

1. The fundamental rule is that A WARNING NOTICE IS REQUIRED ON EVERY CIGARETTE ADVERTISEMENT.

2. Actual practice over the past years supports the position that:

a. An EVENT -- such as a sports or entertainment series -- may be sponsored by and named for a cigarette brand; and

b. Material only advertising the EVENT, as such, is not a "cigarette advertisement," and does not require a warning.

3. Therefore, the question to ask in determining whether any particular material requires a warning notice is: "Does it contain a cigarette advertisement, or is it only an advertisement or notice for an event sponsored by a cigarette brand?"

B. General guidelines

1. What type of material clearly is considered a "cigarette advertisement" for purposed of the warning requirement, even if its use is in the context of an event?

a. Material containing a pack shot, a

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cigarette logo, a slogan customarily used in cigarette advertising or depicting a cigarette;

b. Material displaying a cigarette brand name in a manner that refers to the brand, as such, rather than only to an event named after the brand. For example, the Marlboro balloon at the America's Cup would be an advertisement and would require a warning. In addition, use of the term "Presented by _____ Cigarettes" makes the material a cigarette advertisement requiring a warning.

2. What are the criteria for determining when material involves only an event, and not a cigarette advertisement?

a. Material that is used only to advertise or identify an event does not require a warning notice. However,

(i) As noted above, if any portion of the material includes a cigarette advertising message, the entire items is considered a cigarette advertisement and requires a warning notice; and

(ii) The farther away (in time and distance) from the site of the event and the more widespread the material is disseminated, the more difficult it is to establish that it is solely intended to promote the event to actual or potential attendees, rather than to promote cigarettes to the general public.

b. Event name format -- In order to support our position, if challenged, that all material we display without a warning notice is in fact only an event display and not a cigarette advertisement, the following rules must be followed:

(i) All material must display the full name of the event, not just he brand name. The words do not all

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have to be the same size, but the brand name may be, at most, only slightly larger than the rest of the words in the event name. It is, of course, permissible for the brand name to be smaller than the rest of the words.

(ii) As noted above, no material may use the same type style and logo with which the brand's name is displayed in advertisements.

(a) For example, use of the "red roof" (Marlboro), stylized trapezoid (Merit), chevron (Parliament) or any other symbol, crest or logo which is associated with a name in advertisements would require a warning notice.

(b) Use of a different logo than that which is associated with the brand name in advertising -- such as the special logo designed for the Virginia Slims World Championship Series or a cowboy image that is distinctly different from those in cigarette ads for Marlboro Country Music -- does not require a warning notice.

3. What type of material present in an event context, while arguably advertising cigarettes, is nevertheless exempt from the warning notice requirement under the applicable consent decrees?

a. Promotional materials that are not for public display or public consumer exposure, and are distributed to cigarette wholesalers, dealers, and merchants.

(i) This category covers events predominantly for members of the trade, but also open to limited categories of invitees, such as press, public officials or spouses -- for instances, hospitality suites or parties in connection with events.

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(ii) This category does not include

(a) Any event open to the general public or to any persons attending solely in the capacity of consumer; and

(b) Any event not attended by a substantial number of trade representatives.

(iii) Material displayed at events open to large numbers of people (for example, a Kentucky Derby reception) will probably not be excluded from the warning notice requirement under the consent decree unless special care is taken to ensure that the event is predominantly a trade gathering, subject to subsection (i) above. The larger the crowd, the more proof will be needed to demonstrate that it is a bona fide nonpublic trade gathering.

b. Point-of-sale promotional material containing an advertising display area of 36 square inches or less.

c. FUNCTIONAL PROMOTIONAL ITEMS given away at events which, although they are "advertising", currently are exempt from a warning notice requirement under the consent decrees. These are functional items given or sold to consumers and intended for their personal use. (Examples: playing cards, matches, cigarette lighters, cigarette cases, shopping bags, calendars, posters, articles of clothing, sporting goods and equipment, luggage, glassware, clocks, ashtrays, towels, blankets, balloons.)

C. Specific Guidelines Applicable to Particular Types of Event-Related Materials

1. BANNERS at the site of the event -- including those marking press areas, entrances (e.g., "Welcome to . . . "), and other strategic locations (e.g., stage or start and finish lines) -- do

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not require a warning notice if they meet each of these standards:

a. They strictly comply with the "event name format" guidelines'; and

b. Except for "coming attractions" signs that are displayed in the same quantity and manner customarily used for announcing coming events at the facility in question, they are displayed only on the day or days the event takes place.

2. PROGRAMS given or sold to persons attending the event are sensitive because they can be taken away and seen by potential consumers long after the event. The following guidelines apply:

a. Wherever possible, the program should contain at least one cigarette advertisement for the sponsoring brand, with the warning notice, in a conspicuous location (preferably the outside back cover).

b. Warnings are not required on the front cover or other places where the event name is used, if the programs strictly comply with the "event name format" guidelines.

c. If material on the front cover does not strictly comply with the "event name format" guidelines (for example, if the red roof is featured on the front of a Marlboro Country Music program), the size and location of the required warning notice will be governed by the size and placement rules generally applicable to print advertising. For example, if the material on the front cover is part of a continuous advertisement carried over on another page (e.g., back cover or gatefold), the warning is not necessarily required on the front cover itself.

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3. POSTERS, FLYERS AND NEWSPAPER AND MAGAZINE ADVERTISEMENTS for events placed by Philip Morris are particularly sensitive, because they are broadly disseminated to the general public and are highly visible. There is a high risk that extensive posters, flyers and newspaper or magazine advertising for cigarette-sponsored events without a warning notice would provoke challenge and possibly more restrictive regulation. Therefore, as a matter of prudence, it is our practice to include a "cigarette advertisement" -- such as the statement "Presented by Marlboro Cigarettes" and a warning notice in all posters, flyers and newspaper and magazine advertisements for events.

4. Signs marking EVENT-RELATED VEHICLES, such as hospitality trailers at event sites or trucks that transport equipment for the event, are somewhat sensitive because, like mobile billboards, they may be seen at places and times distant from the event itself. We can maintain that the material displayed is for the ongoing series of events and not a cigarette advertisement -- and therefore no warning is required -- if:

   a. The material displayed complies with the "event name format" guidelines; and

   b. The vehicle's travels and stops are related to the events.

5. BLOWN-UP CHECKS used to indicate event-related charitable contributions may require a warning notice, depending on what words appear on the check.

   a. No warning is required on checks that contain

      (i) The Company or corporate subsidiary name, used as such -- e.g., presented by Philip Morris Incorporated.

      (ii) The full name of an event, displayed in accordance with

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the guidelines for the "event name format."

b. A warning is required if the material displays a cigarette brand name, apart from the full name of an event.

6. Signs indicating brand sponsorship on vehicles that participate in events -- such as a Marlboro racing car and the sail of the boat used in the America's Cup race -- pose particularly sensitive problems.

a. They cannot be excluded from the warning notice requirement on the ground that they identify the name of an event, because they do not.

b. The arguable justifications are:

(i) The name on the car and related gear, such as team uniforms, represents something other than the name of a brand; specifically, it is the name of the racing car and the name of the racing team.

(ii) Naming a race car or similar vehicle for a sponsoring product is a traditional widespread practice.

(iii) Sponsor-identification on the sail in the 1988 America's Cup race was for only a temporary period (while the boat was in harbor) and other brand advertisements, with warnings, were evident during the sail display.

c. These two practices are exceptions to the general principles of the guidelines. While a logical argument could be made that no exceptions should be allowed, in light of the long-standing practice involving the Marlboro Race Car, we have concluded that

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(i) the use of a brand name to identify a racing car may continue in accordance with past practice; but

(ii) These guidelines will govern all other displays of brand names, without any further exceptions.

IV. Broadcasting Issues

A. The basic principles are:

1. No one (whether or not a cigarette manufacturer) may advertise cigarettes on radio, television or any other medium under the jurisdiction of the Federal Communications Commission.

2. The law does not prohibit the use of radio or television to advertise or cover an event sponsored by and named for a cigarette brand, so long as the broadcast does not include cigarette advertising.

3. Violation of the ban on broadcasting cigarette advertisements is a criminal offense. Therefore:

(i) Great care must be taken in dealing with broadcasting activities concerning events to ensure that no cigarette advertising is involved; and

(ii) As a matter of prudence and to avoid provoking more stringent regulations, event-related broadcasting arranged by Philip Morris employees themselves is prohibited.

B. Pre-Event publicity

1. Promoters and others interested in selling tickets to events sponsored by a cigarette brand are free to use broadcast media to promote those events in the same way as events sponsored by non-cigarette brands, provided they advertise only the event and not the cigarette. Based on policy concerns, Philip Morris personnel may not do so.

2. Payments to promoters may include limited sums that the promoter may use for advertising of events, but only if:

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(i) We do not require any promoter to use broadcast advertisements;

(ii) We have contracts with promoters that expressly state that the promoter is aware of the broadcast ban and has no authority to advertise any brand of cigarettes or to use any cigarette brand name, except as it appears in the full name of the event; and

(iii) The amount paid and the volume of advertising done are in moderation and reasonably related to the selling of tickets for the event -- e.g., we would not underwrite $100,000 in advertising to sell 5,000 tickets to a concert.

(iv) Overly aggressive activities of the promoter designed to maximize pre-event publicity should be discouraged.

3. While promoters may, if they wish, and at their own instance, send notices to the media (including video tapes of past performances of the artists featured of past sports events etc.) informing them of a forthcoming event, Philip Morris personnel should not do so.

4. Performers in Philip Morris-sponsored events are free to give interviews promoting their appearances, just as any performers might normally do. Philip Morris' use of consultants to obtain interviews and prepare the performers is sensitive, since mentioning brand names could be considered cigarette advertising. Consultants may be retained to obtain interviews and to prepare performers for them, but only if: it is clear from the timing, placement and content that the interview is only used to promote the event.

C. Broadcast coverage of an event

1. Broadcasters may cover any event, including a cigarette-sponsored event, because they believe it would be of interest to their audience. However, the company's ability to maintain the distinction between "events" and "cigarette advertisements" has been based in large part on the fact that its events are fundamentally for the attending audience and do not depend on broadcast coverage. In order to ensure that Philip Morris is not involved in the broadcasting of cigarette

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advertising (which is illegal), we must follow the following rules:

a. Under no circumstances may any money or any other thing of value be given on behalf of any cigarette brand to anyone to induce or influence broadcast coverage of an event. This would include making additional payments to a concert performer to induce them to permit a T.V. station to tape their performance. (Of course, the T.V. station itself could independently decide to make such a payment.)

b. As stated above, notices (including videotapes of performances) may be sent by the promoter to media (including nonbroadcast media) informing them of a forthcoming event and indicating that normal press privileges will be extended.

3. When it is known that an event will be covered on television, special care must be taken regarding the quantity and placement of signs and banners bearing a brand name. Even though we believe we can defend any broadcasting of the name of the event, in light of the extent of anti-smoking forces, we must recognize that excessive exposure of our brand names on television coverage of events could generate support for additional restrictions. Therefore, we must adhere to the following guidelines:

(i) No Philip Morris employee, consultant or agent may ever attempt to determine the location of microphones or television cameras or what is to be covered by microphones or television cameras at any event.

(ii) The number and conspicuousness of brand-name signs at events covered by television must never be greater than at comparable non-covered events, and generally should be less.

(iii) Signs may not be placed in such quantity and locations that adequate coverage of the event

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would be impossible without frequent, sustained exposure of the signs to the cameras.

(iv) It is permissible to have a single sign on the stage area of a concert and at the start and finish lines of a race, but only if the sign fully complies with the "event name format" guidelines above.

V. AVOIDING EVENTS TARGETED TO YOUTH

A. Company Policy

1. Philip Morris has no desire or intention to promote cigarettes to minors. As used herein, "minors" means persons under 21 years of age.

2. Events may not be designed or conducted in a way that

a. Targets minors or

b. Might reasonably give the appearance of targeting minors.

B. Guidelines to Ensure Compliance with Company Policy

1. No events should be designed with special appeal to minors. For example, no promoters are permitted to stage events on college campuses.

2. Resort Programs and bar nights, in particular, if not properly controlled might potentially be subject to special youth appeal. Therefore:

a. Contracts with outside facilities, such as bars, night clubs or any organization responsible for access to the event, must make explicitly clear that

(i) No minors can be admitted; and

(ii) Strict controls must be adopted and followed to ensure that no minors are admitted.

b. Unless it is either obvious from the context or obviously unnecessary, all

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advertisements and announcements for the events must specifically state "No one under 21 years of age will be admitted."

c. Minors need not be excluded from bowling alleys or similar sports facilities where cigarette-sponsored contests are being held, but under no circumstances may any minor participate in any such contest.

d. There must not be any sampling of cigarettes at events to anyone under 21.

3. Advertisements for events must comply with the same requirements as cigarette advertisements regarding age-related issues.

a. There can be no material with special appeal to minors.

b. Models must in fact be, and appear to be, at least 25 years old.

c. Advertisements for events cannot be placed in locations or in publications where cigarette advertisements are not permitted -- e.g., college newspapers.

4. Functional items or promotional material given or sold in connection with events cannot have special application to minors. For example,

a. Clothing items must be available in adult sizes only;

b. Toys, juvenile games or other objects more likely to be used by minors than adults may not be used.

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